2015
Responsible Investing Annual Report

INVESTING RESPONSIBLY FOR RESULTS

bc imc

About bcIMC

The British Columbia Investment Management Corporation provides investment management services to British Columbia's public sector. Our role is to generate investment returns that will help our institutional clients build a financially secure future. With our global outlook, we seek investment opportunities that will meet our clients' risk and return requirements over time. This compels us to integrate long-term environmental, social, and governance (ESG) matters into our investment decisions and activities. We offer investment options across a range of asset classes: fixed income; mortgages; public and private equity; real estate; infrastructure; and renewable resources.

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bcIMC and Responsible Investing

Responsible investing is an essential part of the investment beliefs shared by bcIMC, the pension funds, and many of the other clients for which we invest.

We believe that companies that do a good job of managing environmental, social, and governance matters have less risk and perform better financially over the longer term.

Our primary mandate is to create long-term client wealth and protect the value of our clients' funds. The majority of the funds we manage belong to pension plans. As pension funds have long-term obligations and seek a specified rate of return to fund these obligations, bcIMC is required to invest our clients' funds to generate the expected returns. We adhere to the applicable requirements of the *Pension Benefits Standards Act* and other legislation, as well as the legal contracts established by our clients.

Assessing and managing investment risk is an integral part of how we meet our responsibility. As part of the prudent investment management of our clients' funds, we aim to actively manage the long-term investment / financial risks and opportunities that ESG matters present, both now and into the future.

This begins with the integration of ESG factors into our investment analysis, decisions, and processes. As an active owner, we monitor ESG factors and engage with companies to raise awareness that good corporate governance is the over-arching framework for effective management of risks. We also use our influence as a shareholder to encourage companies within our portfolios to manage and report on risks to their operations.

Further details about our responsible investing approach and activities are included in our *An Overview of bcIMC's Approach to Responsible Investing*.

bcIMC became a founding signatory to the Principles for Responsible Investment (PRI) in 2006. Our approach is aligned with the PRI which provides a set of principles for institutional investors to consider as they integrate environmental, social, and governance factors into their investment processes and analysis, ownership activities, and interactions with other long-term investors.

Signatory of:

PRI Principles for Responsible Investment

HIGHLIGHTS OF THE YEAR

OVERALL OUTPERFORMED OUR PEERS
as reported in the 2015 PRI Assessment Results

UPDATED PROXY VOTING GUIDELINES
to align with regulation and capital markets developments, as well as to reflect the positions and issues raised through client interactions

ENGAGED WITH 365 PUBLIC COMPANIES
either directly or with our peers and like-minded organizations

Joined the **CANADIAN FIXED-INCOME FORUM**
established by the Bank of Canada in 2015

Voiced our opinion on climate change, disclosure, and governance matters to **6 REGULATORS & 4 STANDARD-SETTING BODIES**
globally

To Our Clients:

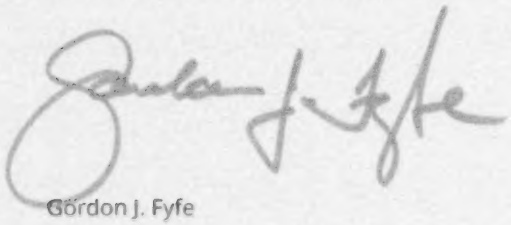
We are a long-term investor and managing risk is as important as generating returns. As environmental, social, and governance matters may present investment risk to our portfolios, responsible investing is integrated into our analysis and asset management strategies. Our 2015 annual report highlights our activities for the year.

As a PRI signatory, we are committed to disclosing our responsible investing activities. In 2015 we enhanced our disclosure with the release of *An Overview of bcIMC's Approach to Responsible Investing*, which sets the parameters of our responsible investing activities. We also began publishing our proxy voting records in real time and in advance of vote date deadlines on our website.

Integrating ESG into our investment activities is always evolving and is continuously under assessment. Therefore, in 2015 we reviewed our proxy voting guidelines to align with developments in the regulations environment and capital markets. We participated in the annual PRI survey, which evaluates our responsible investing practices and provides a benchmark against our peers. The survey is a valuable tool to measure our progress and to also identify areas we can improve upon. Generally, bcIMC performed well in all asset classes.

Over time, as we begin to actively manage more of our clients' funds in-house, you will see greater alignment of interests between bcIMC and the companies within our portfolio. Wherever possible we look for direct investment opportunities as they provide us with stronger governance rights and oversight of the companies' long-term strategies, allowing us to more closely manage long-term investment risks presented by ESG factors.

We acknowledge the importance of responsible investing to our clients and their beneficiaries. Our focus is to protect the long-term value of the funds our clients have entrusted us to manage, and we see responsible investing as a means to accomplish this.



Gordon J. Fyfe

Chief Executive Officer / Chief Investment Officer

bcIMC's Responsible Investing Principles

Each of our asset classes is responsible for integrating and embedding responsible investing into their investment processes. This is an ongoing priority and we continue to expand our programs and practices. Each asset class serves as a knowledge centre for bcIMC and monitors the trends and advancements in responsible investing practices and approaches.

The following eight principles guide our approach:

1. As our primary responsibility is to **ensure enduring long-term investment returns**, environmental, social, and governance matters are addressed when these factors present material risk to an investment and/or the portfolio.

2. As significant ESG risks vary between asset classes, regions, sectors, and companies, **we adapt our approach and strategy to what is appropriate** for the investment.

3. **Knowledge and reason**, while looking out for our clients' investment return expectations, **inform our responsible investing decisions and activities**.

4. We **encourage companies to identify practical and realistic solutions to ESG risks**, and recognize that **introducing good governance and operational practices takes time**.

5. We **must own a company to be able to influence** its governance and operational practices. As a long-term owner, we have a responsibility to interact with companies about their governance structures, policies, and operations.

6. We believe that **engaging is more effective in seeking to initiate change** than divesting, and that aligning with like-minded investors and organizations is sometimes more effective than working in isolation.

7. As a significant investor, we have a **duty to advance responsible investing within the investment industry**.

8. As responsible investing continues to evolve, integrating ESG considerations into our investment approach is **constantly under development**; we shall continuously learn from our own practices and experience.

bcIMC's PRI Involvement

Signatory of: PRI Principles for Responsible Investment

Human Rights in the Extractive Sector

As a steering committee member, bcIMC helped lay the groundwork for this ongoing collaborative engagement. The group began engaging with targeted companies in late 2015 with an aim to enhance disclosure of human rights policies and practices, and to improve the implementation of the UN Guiding Principles on Business and Human Rights by oil & gas and mining companies and relevant joint venture partners.

Hydraulic Fracturing

Hydraulic fracturing affects water resources, greenhouse gas emissions, and local communities. We expect companies to identify, manage, and reduce fracking-related risks, as well as to engage with stakeholders. bcIMC served as a steering committee member and is a lead investor responsible for engaging four Canadian companies. We are encouraging them to implement best practices such as enhanced disclosure of policies, limit the use of fresh water, and invest in energy-efficient technologies.

Labour Standards in the Agricultural Supply Chain

bcIMC serves as a steering committee member and engages companies to identify and assess risks relating to working conditions. The objective is to assess corporate practices, encourage enhanced communication and reporting, and support improvement of a target company's performance. The issues include child labour, health & safety, debt bondage and trafficking, wages, working conditions, and freedom of association.

Listed Equity Integration Sub-Committee

We are a member of this PRI sub-committee, which is tasked with furthering the integration of ESG data into listed equity markets. Primary activities of the group include: reviewing, sourcing, and contributing case studies; reviewing case study guidelines; and reviewing and providing feedback on an ESG integration publication.

Policy and Research Steering Committee

bcIMC chairs this committee with a mandate to mitigate barriers to a sustainable financial system within the capital markets. The group, which provides guidance to the PRI Secretariat, is overseeing two projects focusing on long-term investing:

- Identifying and addressing barriers to long-term mandates
- Providing guidance to investors about engaging with policymakers

Private Equity Advisory Committee

The private equity advisory committee brings together Limited Partners and General Partners to raise awareness and support the practice of PRI's six principles. As part of this committee, bcIMC helped develop the PRI's Limited Partners' Responsible Investment Due Diligence Questionnaire to encourage a standardised approach from Limited Partners to incorporating responsible investment considerations in private equity manager selection.

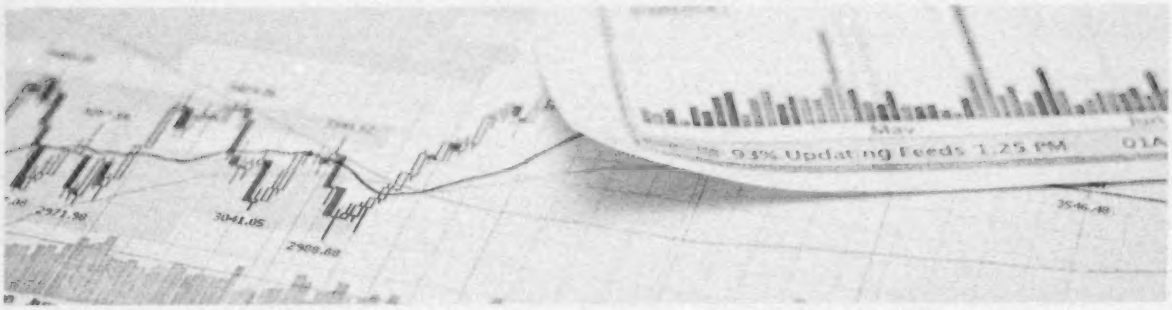
Sustainable Palm Oil Targeting Growers

The palm oil industry has been linked to environmental and social impacts including increased greenhouse gas emissions, damage to ecosystem services, and social conflicts. bcIMC, along with our peers, aims to enhance companies' disclosure and certification of Roundtable on Sustainable Palm Oil (RSPO). We believe this will improve best practices across the value chain and support the development of a more sustainable industry.

Sustainable Stock Exchanges

As a member of this PRI working group, we encourage stock exchanges around the world to enhance listing rules and advance regulatory initiatives. The aim is to require companies to disclose their sustainability strategies. This will allow investors to access standardized data they require to integrate ESG factors into their investment analysis and decision making.

Fixed Income



bcIMC recognizes that fixed income investments are not immune to ESG risks. Governance and broader environmental and social factors play a role in credit ratings and practices that may affect bondholders.

With this in mind, our focus included the following activities for 2015:

- We enhanced our credit analysis by including a separate section to discuss topics such as management compensation and related incentives, environmental lawsuits, and societal trends that may affect perception and/or need for products. Although taking ESG matters into consideration has always been part of our process, we have made further efforts to highlight it as a specific factor, which we believe leads to making better credit decisions.
- On a broader level, we continue to be active participants with the Canadian Bond Investors Association (CBIA). In 2015, the CBIA worked with key regulators to promote greater issuer disclosure. For example, we actively encouraged regulators to require companies to disclose their credit agreements with their banks, which assist in detailed credit analysis. This is standard practice in the U.S., but is currently not required in Canada. We also joined the Canadian Fixed-Income Forum, which was created in 2015. Both initiatives support our desire for stronger and more transparent capital markets in Canada.

About the Canadian Fixed-Income Forum:

- The forum was established by the Bank of Canada in late 2015.
- bcIMC has actively participated in the forum since its inception.
- The forum is a senior level industry-wide committee created to discuss developments in fixed-income market structure and functioning, market practices, and related policy issues.

Mortgages

As a major lender to Canada's commercial real estate industry, bcIMC focuses on strong-yielding loans with attractive risk-return profiles.

We acknowledge that lenders do not have controlling interests over their mortgaged properties and are unable to directly influence ESG matters. However, we look for opportunities to integrate ESG considerations into our mortgage investment process. At the end of 2015, we had active commitments of more than $733 million to properties that exhibit "green" features, representing approximately 21 per cent of bcIMC's committed mortgage portfolio.

Our pre-investment analysis favours industrial, office, multi-family, and retail properties with environmentally-sound principles that match our clients' risk-return parameters.

bcIMC believes "green" properties will exhibit:

CASE STUDY | Triumph at Valhalla

TORONTO, ONTARIO

Triumph at Valhalla, which we funded in 2015, is the final phase of a three-phase residential condominium development known as *One Valhalla*. bcIMC financed the construction of all three phases of the development. Loans for the first two phases of the project were funded in 2011 and 2012.

FEATURES OF THE 298-UNIT, 29-STOREY CONDOMINIUM INCLUDE GREEN ROOFS, WHICH:

- Provide storm water management by storing water in a separate layer that is gradually absorbed by the plants.
- Reduce the Urban Heat Island (UHI) effect — plants absorb light and cool cities during hot summer months.
- Increase energy efficiency — vegetation acts as an insulation and reduces the amount of energy needed to moderate building temperatures.
- Reduce greenhouse gas emissions.
- Provide habitats for plants, insects, and animals where space in cities is limited.

Public Equities

SHAREHOLDER ENGAGEMENT

As a large-scale investor, it is our responsibility to interact and, where appropriate, challenge companies about their policies and activities.

Direct and Collaborative Company Engagements

Our engagement focus is driven by the management of long-term risks and we pursue activities that are expected to have the greatest impact. bcIMC may engage directly with companies on our own or collaboratively in partnership with other like-minded investors and organizations.

During 2015, we directly engaged with **107** companies, of which 29 were at a comprehensive level. As per PRI's definition, we define this level of engagement as multiple, substantive, detailed discussions or interactions with a company that may occur over a longer time span than one calendar year. All other activities that do not exhibit this level of engagement are classified as basic. For a breakdown of all of bcIMC's direct engagements, see appendix on page 21.

Collaboration, which involves working with our peers and adding our name as a means to strengthen a unified voice, can be effective in encouraging change and adopting good corporate practices and standards. The table below provides a breakdown by initiative and/or group of all our collaborative engagements for 2015. Those collaborative engagements where bcIMC took on a more active role in the form of leading or supporting specific company dialogues are also listed in the appendix.

WITH OUR PEERS AND LIKE-MINDED ORGANIZATIONS,

WE ENGAGED WITH 258 COMPANIES

OF WHICH INVOLVED:

176 TOTAL **PRI**

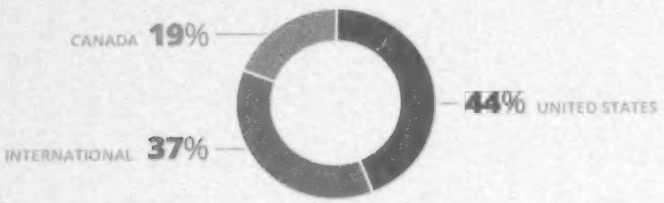
36 TOTAL **ACGA**

46 TOTAL **CCGG**

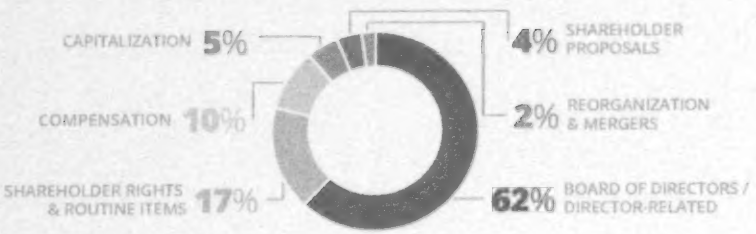
COLLABORATION WITH:	NO. OF COMPANIES ENGAGED	E	S	G
PRI Collaborative Initiatives				
Human Rights in the Extractive Sector	31		X	
Hydraulic Fracturing	31	X	X	
Labor Standards in Agricultural Supply Chain	34		X	
Sustainable Palm Oil	14	X	X	
Sustainable Stock Exchanges	66	X	X	
Coalitions of ACGA Members				
Board Independence – Japan	33			X
Other	3			X
CCGG	46			X

PROXY VOTING

Voting is one of the most important shareholder rights. As an active and engaged owner, we consider informed voting an important component of our commitment to engagement. It helps foster good corporate governance and accountability. We conduct all proxy voting activities in-house and vote all our Canadian, U.S., and the most significant global holdings based on market value.



Proposals Voted By Category:



A Closer Look at Shareholder Proposals: How Did We Vote On Proxy Access in the U.S.?

Proxy access provides shareholders the right to include their director nominees in the company's proxy materials for the annual general meeting as part of the standard director election process.

	2015	2014	2013
Number of Proposals bcIMC Voted On	70	13	11
Number of Proposals bcIMC Voted in Favour	70	7	8
Number of Proposals Receiving Over 50% from Shareholders	48	4	3
Average Support from Shareholders	56.1%	28.6%	32.0%

TOTAL NUMBER OF MEETINGS VOTED:

2,069

10.5% INCREASE FROM 2014

TOTAL NUMBER OF COUNTRIES VOTED IN: **48**

TOTAL NUMBER OF PROPOSALS & AGENDA ITEMS ASSESSED:

22,569

OF WHICH WE VOTED:

MANAGEMENT PROPOSALS

27% AGAINST
(Total proposals 21,754)

DIRECTOR NOMINEE PROPOSALS

25% AGAINST / WITHHELD
(Assessed 13,052 management proposals)

SAY-ON-PAY / REMUNERATION REPORT PROPOSALS

37% AGAINST
(Assessed 1,162 management proposals)

SHAREHOLDER PROPOSALS

69% SUPPORTED
(Total proposals 815)

73% E *(Total 77)* **70%** S *(Total 113)* **68%** G *(Total 625)*

NOTEWORTHY VOTES

The following provides a summary of noteworthy votes that we believe are important ESG matters that affect our public equity portfolio.

Canada — Compensation / Say-On-Pay

Companies: Canadian Imperial Bank of Commerce (CIBC) (TSX:CM); Yamana Gold Inc. (TSX:YRI); Barrick Gold Corporation (TSX:ABX)

How We Voted and Why: We voted **against** all three proposals. For Yamana and Barrick, we felt they did not sufficiently align pay with performance. For CIBC, we felt the retirement benefits provided to outgoing executives did not align with best practices.

Results: Yamana failed with 62.7 per cent votes against; CIBC failed with 56.8 per cent votes against; and Barrick failed with 73.4 per cent votes against. For Barrick, this is the second time their compensation vote failed, with 85.2 per cent votes against in 2013.

Outcome: It is still voluntary for Canadian companies to offer shareholders advisory votes on executive compensation; however shareholders are using the say-on-pay vote as a tool to express concerns on management incentive programs. For example, Yamana's chief executive officer gave back special share units he was granted in June 2014, saying he has heard the message sent by shareholders.

bcIMC's Voting Guideline: Our primary focus is on pay for performance — basing an executive's overall compensation on specific measurable incentives that motivate and reward improved long-term performance while discouraging undue risk taking.

Asia (Japan) — Shareholder Rights / Creation of Principal-Guaranteed Shares

Company: Toyota Motor Corporation (TSE:7203)

How We Voted and Why: We voted **against** the proposal as principal-guaranteed shares are debt-like securities and attaching voting rights to them does not align with the one-share, one-vote principle. Furthermore, as the offering was not conducted outside of Japan, it was not in the best interests of foreign investors.

Results: There was a high level of dissent with 24.8 per cent of shareholders voting against the proposal.

Outcome: After the vote, bcIMC and 14 of our peers issued a public statement taking position against this type of share. We believe that all stakeholders in Japanese capital markets should protect the one-share, one-vote principle to provide equal rights and risks among all shareholders.

Our Voting Guideline: We believe that the one-share, one-vote principle is a mainstay of good governance and ensures voting rights in proportion to ownership of a company.

Global (Germany) — Shareholder Rights / Management Board Discharge of Responsibility

Company: Deutsche Bank AG (FWB:DBK)

How We Voted and Why: We voted **against** management's proposal to discharge their management board members from liability in fiscal 2014. This was due to our concern with the company's lack of oversight of internal control and risk management as well as the bank's benchmark rates-related violations.

Results: There was a high level of dissent with 39 per cent of shareholders voting against the discharge.

Outcome: Two weeks after the annual general meeting, the co-chief executives announced their resignations.

bcIMC's Voting Guideline: Where we have concerns about management's oversight, we do not support tacit votes of confidence for the company's management.

CASE STUDY | Japan

Why is our attention on Japan?

Japan is one of the top five markets in the world, and as a global investor, bcIMC is exposed to the country through a number of our global equity funds. As a means of managing long-term investment risk, we focus our responsible investing activities where we have significant exposure.

We believe that companies with good corporate governance and sustainable business models will deliver long-term shareholder value. Due to Japan's recent economic and political reforms emphasizing growth, we now see an opportunity to encourage stronger corporate governance standards for the Japanese market and for companies within our portfolio.

What do we want to achieve?

Historically, the boards of most Japanese companies were comprised solely of company executives — differing drastically from global standards where directors are independent of management. We believe that board independence is the foundation for good corporate governance and are urging a significant move toward this principle. Independent boards incentivize and oversee management to focus on efficient capital allocation, return on equity, and long-term performance.

Why is Board Independence Critical?

The board of directors is primarily responsible for fostering the long-term success of the company and representing the best interests of its shareholders. To effectively do this, directors should be independent of management and accountable to shareholders. It is essential that the board exerts authority over management's recommendations and objectively evaluates company and executive performance.

What is our approach?

Change takes time and often involves a combination of approaches. bcIMC is pursuing a three-pronged strategy to encourage improvements to Japan's corporate governance and board composition in particular:

1. Policy submissions to influence the regulatory framework and to raise the bar of standard-setting bodies.
2. Collaborative engagement through letter writing.
3. An increase in proxy voting to communicate our views to a greater number of company boards, as well as to hold more directors accountable for their performance.

Our Policy Submissions

Japan's recent corporate governance reforms included the introduction of two codes — the Stewardship Code and the Corporate Governance Code. We provided input into the Corporate Governance Code, which aligns with our investment discipline for long-term investing, through three key consultations in 2015:

1. In January, we shared our views on the proposed Corporate Governance Code with the Japan Financial Services Agency (FSA) and the Tokyo Stock Exchange (TSE). Additionally, as an Asian Corporate Governance Association (ACGA) member, we also provided comments to the ACGA submission. In both instances, we supported the views regarding increased board independence. The Code, published in March 2015, calls for a minimum of two independent directors and includes one-third independence as an aspiration threshold. We believe that this is a good starting point.

2. We provided input into the *2016 Policy Survey and Benchmark Policy Consultation* conducted by Institutional Shareholder Services Inc. (ISS), the proxy advisory firm that establishes standards of good corporate governance. ISS called for top executives to be held accountable when companies have a five-year average return-on-equity of less than five per cent and to recommend voting against top executives should the board not have at least two external members. While we supported the two new policies, we encouraged ISS to set stronger independence requirements.

3. In December, through the ACGA as well as directly, we provided feedback to the FSA and reinforced our views about ongoing and future requirements for monitoring the two Codes and promoting enhanced disclosure by companies on their compliance to the Corporate Governance Code principles.

> The Corporate Governance Code and the regulations set by the Japan Financial Services Agency apply to all companies listed on the first and second section of the Tokyo Stock Exchange.

Our Collaborative Engagement

In 2014, we participated in a letter writing initiative to 33 Japanese companies, expressing the need for more independent directors on boards. We collaborated with 20 global peers, representing $4.6 trillion in assets under management, calling for a minimum of one-third board independence by 2017. The group conveyed they would vote against all board members who are not independent, including the chairman and president, for not meeting the threshold. In 2015, the group focused their efforts on further engagement by sending follow-up letters to the 20 companies that made little or no progress and to the seven companies that made notable progress with at least 20 per cent independence. Letters were also sent to acknowledge the six companies that reached the one-third independence target.

Our Proxy Voting Activities

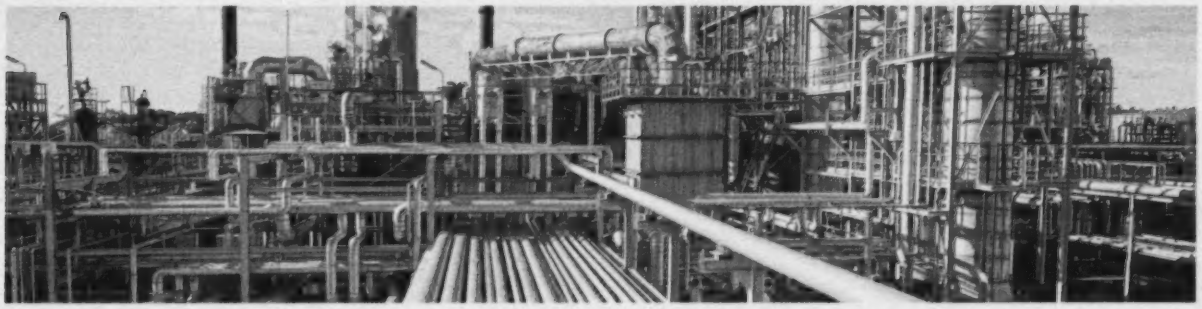
We increased our proxy voting activities in this market, voting at 105 Japanese company meetings in 2015, up from 38 in 2014. We also plan to vote at 150 Japanese company meetings in 2016. bcIMC also implemented new voting policies:

- Holding boards accountable for low return-on-equity — translating into voting against over 16 per cent of top executives. This aligns with the ISS policy implemented in 2015.
- Holding top executives accountable when the board is not one-third independent — translating into voting against over 70 per cent of presidents and 62 per cent of board chairs up for election. We have invoked this policy ahead of the collaborative initiative target date of 2017 as we feel it is long overdue and should be addressed immediately.

We take comfort that reform is taking place; however, we are far from bcIMC's universal expectation of two-thirds board independence. bcIMC will continue to engage with policy makers and companies in Japan on this fundamental corporate governance principle.

> **Integrating Corporate Governance Factors into our Investment Decisions**
>
> Information gathered from our active ownership activities helps identify companies that are leaders, laggards, or middle-of-the-pack regarding their board composition and governance practices. Insights are shared with our portfolio managers allowing them to factor information into their investment decision making processes.

Private Markets



bcIMC holds investments in infrastructure, renewable resources, privately-held companies, and private equity funds. These investments are all made with a long-term outlook. As ESG risks can develop over time and affect companies, sectors, and regions, the assessment of these factors is integral to our pre- and post-investment processes.

We promote the integration of best governance practices within our portfolio companies and fund investments. And we also encourage our external managers and portfolio companies to formally and systematically integrate ESG matters into their activities.

The Institutional Limited Partners Association's *Private Equity Principles* serve as bcIMC's framework for governance and transparency. Our activities are also guided by the PRI's *Responsible Investment in Private Equity* guide for limited partners.

What is the Institutional Limited Partners Association (ILPA)?

- ILPA is dedicated to advancing the interests of private equity limited partners through industry-leading education programs, independent research, best practices, networking opportunities, and global collaborations.
- bcIMC has been a member since 2002.

Pre-Investment Process

Our pre-investment process includes assessing financial performance, conducting detailed reviews of the governance models, and commissioning detailed reports on legal, environmental, regulatory, and occupational health & safety matters. We incorporate potential risks into our investment strategy.

Post-Investment Process

Once invested, we continue monitoring the company's operational and financial performance. We expect the companies in our portfolio to focus on long-term value creation by applying good governance practices, effectively managing their business and stakeholder relationships and being responsible in their business operations.

CASE STUDY | Teays River

In 2015, bcIMC invested in Teays River Investments LLC (Teays River) — a U.S.-based platform company with interests in multiple food and agriculture-focused businesses that are leaders in their respective industries. As a direct investor, we have a seat on the board allowing us to provide input, alongside the other members of the board, into the company's strategy, governance, and operating p[illegible]uces. Teays River's investments include companies in the organic dairy, seed production, and produce industries.

Teays River has adopted several policies consistent with the PRI Responsible Investment in Farmland including a corporate social responsibility policy and an anti-corruption policy. One of their operating platforms, Aurora Organic Dairy, received an award for their *2012 Corporate Citizenship Report* from the 2015 Corporate Register Reporting Awards (CRRA).

What are the Corporate Register Reporting Awards (CRRA)?

The CRRA were created to acknowledge excellence in reporting. They are the only global annual awards given for corporate responsibility reporting. Winners are chosen by all those registered with CorporateRegister.com.

Real Estate

Property investments involve longer time horizons than many asset classes. This means our investment strategies need to consider longer-term issues and the consequences these may have on fund and asset performance.

Responsible property investing allows us to integrate environmental, social, and governance issues into our decisions, especially where bcIMC can exert significant influence. In so doing, we can build a resilient real estate program that maximizes the value of our holdings without undue risk of loss while also positioning the portfolio for future opportunities.

Longer-term issues include changes in regulations that govern environmental and social matters, and the evolving expectations of consumers and tenants. Physical risks to our properties resulting from climate change, flooding, and droughts as well as changing societal needs that may influence macro real estate trends are considered. As our clients' investment manager, we have a responsibility to understand the implications of these issues and seek appropriate risk adjusted investment returns. We pursue economic ways of ensuring the viability of the properties we buy, develop, and manage for the long term.

Certification

Certification programs such as the Leadership in Energy and Environmental Design (LEED) and BOMA BESt encourage sustainable building and development practices through standards and performance criteria.

Together with our investment partners and property managers, we take ratings into account in the design, building, and operating of our properties. With new buildings and multi-land use developments, the incorporation and adherence to LEED and other standards is considered from the very beginning. We examine the ability to enhance the value of our existing properties through upgrades, renovations, and retrofitting initiatives. All decisions are based on an assessment of the expected return on investment.

Given the economic costs associated with formally certifying our buildings, certification is not a stated goal of our program.

CASE STUDY 1 | World Exchange Plaza Tower

OTTAWA, ONTARIO

bcIMC realizes the importance of making smart and timely upgrades to existing buildings as a means to improve operating efficiency and also to reduce environmental impacts. In 2009, bcIMC, through our asset manager Bentall Kennedy, implemented a long-term energy strategy at the World Exchange Plaza to reduce consumption and costs. This has positioned the property to be at the forefront in terms of energy efficiency in the city of Ottawa.

Improvements included:

- Energy efficient retrofits such as modern temperature controls and lighting sensors throughout the property.
- Operational optimization programs and control upgrades to reduce overall energy consumption.
- Communication programs to enhance tenant awareness and engagement in their roles to reduce energy usage.

bcIMC acquired the mixed-use building in 2001. It consists of two office towers and a three-storey retail concourse.

ANNUAL SAVINGS

↓ 22% REDUCTION electricity usage

From 2010 to 2013, reduced annualized electricity usage to 14,365 mWh.

THIS REPRESENTED $540,230 ABSOLUTE SAVINGS IN 2013 ENERGY COSTS AND AN $0.84 PER SQUARE FOOT SAVINGS.

GREENHOUSE GAS EMISSIONS

↓ 9.8% CO_2e

Average annual normalized greenhouse gas emissions reductions.

AWARDS

Winner of the 2015 BOMA International Earth Award and of the 2014 BOMA Office Building of the Year Award (Earth Category).

CASE STUDY 2 | Northwoods Village

NORTH VANCOUVER, BRITISH COLUMBIA

Working with GWL Realty Advisors Inc. (GWLRA), bcIMC began developing Northwoods Village in 2014, with completion expected by 2016. The development is a mixed use building including 80 multi-family units and 65,000 square feet of retail space. The residential portion is being built according to the Built Green Gold Standard, which utilizes environmentally-friendly materials, energy-efficient design, and reduced water consumption in the development.

We acquired the property in 2002.

BUILT GREEN GOLD FEATURES OF THE DEVELOPMENT INCLUDE:

- High efficiency hot water heating systems
- Motion controlled automatic lighting systems in common areas
- High levels of insulation
- Use of sustainably harvested wood
- Use of products with recycled content
- Use of durable products to reduce repair and replacement costs
- Use of locally manufactured products

bcIMC's Policy Submissions

bcIMC advocates for regulatory changes that make responsible investing principles part of the legal framework and improve the investment environment for all investors. By engaging with Canadian and international regulators and standard-setting bodies, our activities are aimed at addressing systemic risks, with the expectation that our efforts will lead to greater stability and integrity within the markets.

We recognize that meaningful, large-scale change takes time and our interactions with regulators and policymakers often span years. The following is a comprehensive list of our policy submissions and outcomes during 2015.

Canada

- Co-signed letter, along with Canadian institutional investors, to the Ontario Securities Commission on Adopting Mandatory Say-on-Pay Votes on Executive Compensation.
- Co-signed letter, along with Canadian institutional investors, to the Canadian Securities Administrators on its progress report regarding the Review of the Proxy Voting Infrastructure.
- Global Investors' Letter to the Alberta Premier on Renewing Alberta's Climate Change Policy Framework and Setting an Effective Price on Carbon —— The Province of Alberta announced a comprehensive climate change policy in November 2015, providing investors with more certainty.

Asia

- Public consultation by the Hong Kong Exchanges & Clearing Ltd. (HKEx) on their revised ESG Reporting Guide for issuers —— The guide was subsequently strengthened in its listing rules.
- Public consultation by Japan's Financial Services Agency (FSA) and the Tokyo Stock Exchange (TSE) on new Corporate Governance Code. We participated in a second public consultation calling for feedback on the Corporate Governance Code —— Japan's Corporate Governance Code became effective in 2015. Companies are now mandated to report under the Code's principle. In line with the Code, the number of non-executive directors on the boards of Japanese companies increased by over 10 per cent year-over-year; a first step towards increased board independence.

Global

- CFA Institute's draft publication on *Environmental, Social, and Governance Issues in Investing* —— CFA Institute published the document in November 2015, incorporating suggestions from bcIMC.
- Global Investors' Letter to the G7 Finance Ministers on Climate Change Agreement in Paris —— At the June summit, G7 leaders agreed to phase out fossil fuels by the end of 2099. At the COP 21 Climate Change Conference, 195 countries agreed to the target of keeping the rise in temperature below 2 C and established that countries should be aiming for 1.5 C.
- International Corporate Governance Network Member Consultation: Integrated Business Reporting Guidelines.
- Organisation for Economic Co-operation and Development's Public Consultation on its updated Corporate Governance Principles.
- Consultations by Proxy Advisory Firm: ISS Policy Survey and ISS Policy Consultation —— ISS updated its 2016 policies in line with many of bcIMC's comments.

For more information on our policy submissions, please refer to our website (www.bcimc.com).

Collaboration

Working with like-minded investors and organizations helps bcIMC more effectively deploy our resources and strengthen our voice. We have long-standing relationships with:

Signatory of:

PRI Principles for Responsible Investment

- Founding signatory in 2006
- Active member of steering committees and working groups

ACGA
Asian Corporate Governance Association

- Member since 2005
- Contribute and support to regulatory efforts

BOMA Canada

- Member of the National Advisory Council since 2012

Canadian Bond Investors' Association
Association canadienne des investisseurs obligataires

- Founding member in 2011
- Serve on board of directors
- Member of financial regulation committee

Canadian Coalition for GOOD GOVERNANCE
THE VOICE OF THE SHAREHOLDER

- Founding member in 2004
- Served as the CCGG chair (2006–2009)
- Serve on board of directors
- Member of the public policy committee

CANADIAN FIXED INCOME FORUM

- Member since 2015

CDP
DRIVING SUSTAINABLE ECONOMIES

- Former member of CDP Canada advisory council
- Signatory to climate change program since 2006
- Signatory to water program since 2009

EITI Extractive Industries Transparency Initiative

- Investor signatory since 2011

ICGN
International Corporate Governance Network

- Member since 2005

ilpa
INSTITUTIONAL LIMITED PARTNERS ASSOCIATION

- Member since 2002

PIAC
Pension Investment Association of Canada
Association canadienne des gestionnaires de caisses de retraite

- Member of investor stewardship committee

REALpac
Real Property Association of Canada
Association des biens immobiliers du Canada

- Member since 2013
- Member of research advisory committee
- Member of corporate responsibility and sustainability committee

RIA
Responsible Investment Association

- Member since 2007

Events

We further industry awareness by organizing or speaking and moderating at conferences; our activities included:

1. **SHARE BC PENSION FORUM CONFERENCE**
   FEBRUARY 2015
   Vancouver, Canada
   TOPIC: Owning Up: ESG Engagement to Manage Pension Risk — Climate Change

2. **PDAC MINING CONFERENCE — CSR EVENT SERIES**
   MARCH 2015
   Toronto, Canada
   TOPIC: Responsible Investment: Implications for the mining sector — Human Rights

3. **HUMAN RIGHTS ROUNDTABLE BETWEEN COMPANIES AND INVESTORS**
   (organized by steering committee members of a PRI collaborative engagement)
   MARCH 2015
   Toronto, Canada
   TOPIC: Human Rights in the Extractive Sector

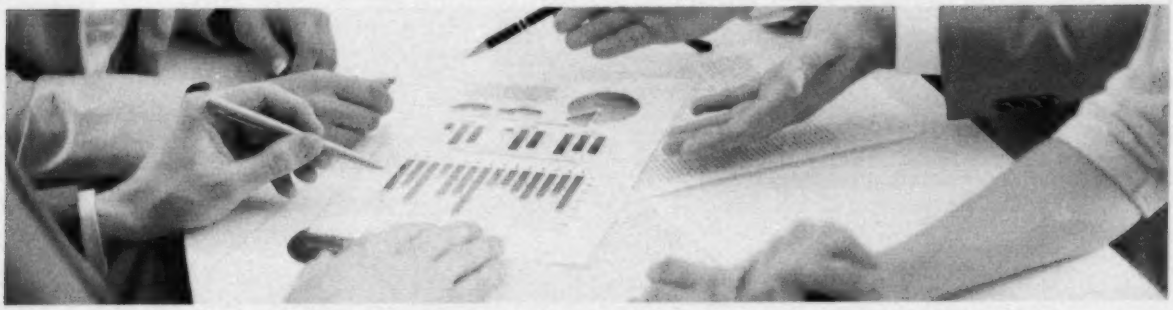
4. **BC PUBLIC SECTOR PENSION CONFERENCE**
   APRIL 2015
   Victoria, Canada
   TOPIC: Ecofiscal Policy — Investor Engagement in Public Policy

5. **INTERNATIONAL CORPORATE GOVERNANCE NETWORK (ICGN)**
   JUNE 2015
   London, United Kingdom
   TOPIC: Integrating ESG into Investment Decisions

6. **CAISSE DE DÉPOT ET PLACEMENT DU QUÉBEC — 4TH CONFERENCE ON RESPONSIBLE INVESTMENT**
   OCTOBER 2015
   Montréal, Canada
   TOPIC: Linking performance to ESG criteria for executive pay?

7. **PACIFIC PENSION & INVESTMENT INSTITUTE (PPI)**
   OCTOBER 2015
   Tokyo, Japan
   TOPIC: Investor's Perspective on the Progress of Financial and Economic Reforms in Japan

Reporting and Disclosure



As a founding member of the PRI, bcIMC has pragmatically applied the six principles into our operations. The principles require signatories to report on their activities, and bcIMC is committed to reporting to our clients and publicly disclosing our initiatives. This includes participating in the annual PRI survey that assesses our responsible investing practices across our asset classes in line with the six principles.

Our reporting included the preparation and release of our *An Overview of bcIMC's Approach to Responsible Investing*. The document outlines our responsible investing approach, as well as our beliefs and principles.

We also updated our proxy voting guidelines (a public document) to reflect developments in regulation and the capital markets. Enhancements included:

- Strengthening director independence requirements by increasing the "cooling off" period for former executives — considering them to be non-independent for five years following retirement.
- Increasing attendance expectations from 67 per cent to 75 per cent of all scheduled meetings.
- Adding board tenure and gender diversity to the selection criteria.
- Relaxing price restrictions on employee stock option plans to allow employees more freedom to participate in the plans.
- Providing more explicit rationales for not supporting advisory votes on compensation.
- Adding more examples of the most common shareholder proposals on environmental and social risks as well as including explanations as to how bcIMC evaluates them.

Additionally, we publish three Responsible Investing Newsletters and a Responsible Investing Annual Report. We also disclose our proxy votes, and rationale for when we voted against a proposal, ahead of a publicly-traded company's annual general meeting. The searchable database, available on our website, provides an account of our voting. Our newsletters, annual report, *An Overview of bcIMC's Approach to Responsible Investing*, *Proxy Voting Guidelines*, *ESG Engagement: Public Equities Priorities & Process*, and annual *PRI Transparency Report* are available on bcIMC's website.

Throughout the year, bcIMC also briefs clients on specific initiatives and responsible investing trends, as well as assists them with their stakeholder communication.

APPENDIX

Publicly Listed Company Engagements

JANUARY 1 TO DECEMBER 31, 2015

C = COMPREHENSIVE (DIRECT)
B = BASIC (DIRECT)
L = LEADING ROLE (COLLABORATIVE)
S = SUPPORTIVE ROLE (COLLABORATIVE)

COMPANY	COUNTRY	E	S	G
CONSUMER DISCRETIONARY				
Amaya	Canada			B
Canadian Tire	Canada		B	
Magna International	Canada			B
Restaurant Brands International (formerly Tim Hortons)	Canada			B
The Intertain Group	Canada			B
Transat A.T.	Canada			B
CONSUMER STAPLES				
Alimentation Couche Tard	Canada			B
BRF	Brazil		L	
Costco Wholesale	United States		S	
Intertape Polymer Group	Canada			B
Loblaw Companies Limited	Canada			C
Maple Leaf Foods	Canada		L	
Wilmar International	Singapore	S		
ENERGY				
AltaGas	Canada	B	B	C
Athabasca Oil	Canada			B
Bankers Petroleum	Canada			B
Bellatrix Exploration	Canada			B
BHP Billiton	Australia	S		
Birchcliff Energy	Canada			B
Bonavista Energy	Canada			C
Bonterra Energy	Canada			B
Calfrac Well Services	Canada		B	B
Canadian Energy Services	Canada			B
Canadian Natural Resources	Canada	L		
Canadian Oil Sands	Canada	B		

COMPANY	COUNTRY	E	S	G
ENERGY				
Cenovus Energy	Canada			C
Chevron	Canada		S	
China Petroleum & Chemical (Sinopec)	Canada		S	
Crew Energy	United States			B
Encana	Canada	L	B	
EOG Resources	Canada	S	S	
ExxonMobil	Canada		S	
Gran Tierra	Russia			B
Husky Energy	Canada	B		C
Kelt Exploration	Canada			B
LUKOIL	Canada	S	S	S
MEG Energy	Canada	C		C
Mullen Group	Canada			B
NuVista Energy	Canada			B
Pacific Rubiales Energy	Canada			B
Parex Resources	Brazil		B	B
Pengrowth Energy	Canada	B	B	
Penn West Petroleum	Canada			C
Petrobras	Canada			S
PetroChina	Canada		S	
Peyto Exploration & Development	Canada			B
Raging River Exploration	Canada			B
Royal Dutch Shell	Canada		S	
SECURE Energy Services	Canada			B
Seven Generations Energy	Canada			B
Suncor Energy	Canada	C		C
Surge Energy	Canada			B
Tahoe Resources	Canada		B	B
Trilogy Energy	Canada			B
TORC Oil & Gas	Canada			B
Total	France		S	
Tourmaline Oil	Canada			B
Trican Well Service	Canada			B
Trinidad Drilling	Canada			B
Whitecap Resources	Canada			B

COMPANY	COUNTRY	E	S	G
FINANCIALS				
Artis Real Estate Investment Trust	Canada			B
Bank of Montreal	Canada			C
Bank of Nova Scotia	Canada		B	
Brookfield Property Group	Canada			B
Canadian Imperial Bank of Commerce	Canada			B
Fairfax Financial Holdings	Canada			B
FirstService	Canada			B
Granite Real Estate Investment Trust	Canada			C
H&R Real Estate Investment Trust	Canada			B
Industrial Alliance Insurance and Financial Services	Canada			C
Laurentian Bank of Canada	Canada			C
Mizuho Financial Group	Japan			B
Pure Industrial Real Estate Trust	Canada			B
SmartREIT	Canada			B
TMX Group	Canada	L	L	
HEALTHCARE				
GlaxoSmithKline	United Kingdom			C
Roche Holding	Switzerland			B
INDUSTRIALS				
Air Canada	Canada			C
ATS Automation Tooling Systems	Canada			B
Badger Daylighting	Canada	B		B
Black Diamond Group	Canada			B
Finning International	Canada		B	
Ritchie Bros. Auctioneers	Canada			C
Stantec	Canada			B
Toromont Industries	Canada		B	B
WestJet Airlines	Canada		B	B & S
Westshore Terminals Investment	Canada			B
INFORMATION TECHNOLOGY				
Avigilon	Canada			B
BlackBerry	Canada			C
Computer Modelling Group	Canada			B
Constellation Software	Canada			B
Enghouse Systems	Canada			B

COMPANY	COUNTRY	E	S	G
INFORMATION TECHNOLOGY				
MacDonald, Dettwiler & Associates	Canada			B
Mitel Networks	Canada			B
MATERIALS				
Agnico-Eagle Mines	Canada		B	C
Agrium	Canada		C	
Alacer Gold	Canada	B	B	C
Alamos Gold	Canada			B
Argonaut Gold	Canada			B
Barrick Gold	Canada		C & S	C
B2Gold	Canada			B
Canfor	Canada			B
Capstone Mining	Canada	B	B	
First Majestic Silver	Canada			C & S
First Quantum Minerals	Canada			B
Fortuna Silver Mines	Canada			B
Goldcorp	Canada	C	C & S	
Hudbay Minerals	Canada		C	
IAMGOLD	Canada			B
Methanex	Canada		B	
Nevsun Resources	Canada			B
OceanaGold	Canada	B	B	B
Pan American Silver	Canada			B
PotashCorp of Saskatchewan	Canada		C	
Pretium Resources	Canada			B
Primero Mining	Canada			B
Sherritt International	Canada		C	
Teck Resources	Canada			C
Torex Gold Resources	Canada	B	C	B
Vale	Brazil		S	
West Fraser	Canada	B	B	S
TELECOMMUNICATION SERVICES				
BCE	Canada			B
UTILITIES				
ATCO	Canada	C		
Fortis	Canada			C

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